

NOVASTAR FINANCIAL INC
 Form 3
 January 10, 2008

FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
 Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *		2. Date of Event Requiring Statement	3. Issuer Name and Ticker or Trading Symbol	
Â SCHWATKEN RODNEY E		(Month/Day/Year)	NOVASTAR FINANCIAL INC [NFI]	
(Last)	(First)	(Middle)	01/03/2008	
C/O NOVASTAR FINANCIAL INC,Â 8140 WARD PARKWAY		4. Relationship of Reporting Person(s) to Issuer		5. If Amendment, Date Original Filed(Month/Day/Year)
(Street)		(Check all applicable)		
KANSAS CITY,Â MOÂ 64114		<input type="checkbox"/> Director <input type="checkbox"/> 10% Owner <input checked="" type="checkbox"/> Officer <input type="checkbox"/> Other (give title below) (specify below) Chief Financial Officer		6. Individual or Joint/Group Filing(Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person <input type="checkbox"/> Form filed by More than One Reporting Person
(City)	(State)	(Zip)		

Table I - Non-Derivative Securities Beneficially Owned

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
NovaStar Financial, Inc. Common Stock	2,137	D	Â
NovaStar Financial, Inc. Common Stock ⁽⁴⁾	47	D	Â
NovaStar Financial, Inc. Common Stock ⁽⁵⁾	44	D	Â
NovaStar Financial, Inc. Common Stock ⁽⁶⁾	103	D	Â
NovaStar Financial, Inc. Common Stock ⁽⁷⁾	376	D	Â
NovaStar Financial, Inc. Common Stock	5,088	I	By Rodney E. Schwatken Trust

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 5)	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of Shares			
Stock Option <u>(2)</u>	Â <u>(2)</u>	02/07/2015	NovaStar Financial, Inc. Common Stock <u>(2)</u>	125 <u>(2)</u>	\$ 168.52 <u>(2)</u>	D <u>(2)</u>	Â
Stock Option <u>(1)</u>	Â <u>(1)</u>	02/08/2016	NovaStar Financial, Inc. Common Stock <u>(1)</u>	234 <u>(1)</u>	\$ 124.84 <u>(1)</u>	D <u>(1)</u>	Â
Stock Option <u>(3)</u>	Â <u>(3)</u>	03/14/2017	NovaStar Financial, Inc. Common Stock <u>(3)</u>	643 <u>(3)</u>	\$ 16.72 <u>(3)</u>	D <u>(3)</u>	Â

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SCHWATKEN RODNEY E C/O NOVASTAR FINANCIAL INC 8140 WARD PARKWAY KANSAS CITY, MO 64114	Â	Â	Â Chief Financial Officer	Â

Signatures

Rodney E.
Schwatken

01/10/2008

**Signature of
Reporting Person

Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 5(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Consists of 234 derivatives which vest in four annual installments of 58 shares on 2/8/2007, 59 shares on 2/8/2008, 58 shares on 2/8/2009, and 59 shares on 2/8/2010.
- (2) Consists of 125 derivatives which vest in four annual installments of 31 shares on 2/7/2006, 31 shares on 2/7/2007, 31 shares on 2/7/2008, and 32 shares on 2/7/2009.

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- (3) Consists of 643 derivatives which vest in four annual installments of 160 shares on 3/14/2008, 161 shares on 3/14/2009, 161 shares on 3/14/2010, and 161 shares on 3/14/2011.
- (4) Time-vesting restricted stock which vest on 1/28/2008. These shares have voting rights and rights to receive dividends, but are subject to forfeiture.
- (5) Time-vesting restricted stock which vests on 2/7/2015. These shares have voting rights and rights to receive dividends, but are subject to forfeiture.
- (6) Time-vesting restricted stock which vests on 2/8/2011. These shares have voting rights and rights to receive dividends, but are subject to forfeiture.
- (7) Time-vesting restricted stock which vests on 3/14/2012. These shares have voting rights and rights to receive dividends, but are subject to forfeiture.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.

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